

| Project Description | Budget | Annual target | Targets | | | Rate | Corrective Measure |
|---|-----------------|--|-----------|-----------|-----------|---------|-----------------------------------|
| | | | 31-Dec-09 | 31-Mar-10 | 30-Jun-10 | | |
| Upgrading of Steadville Area H | R 12 194 294.74 | Completion of 15% of the project once discussions are completed | 9 | 5% | 10% | 15% | Report to be submitted to Council |
| Upgrading of Steadville Hostel & Nurses Home | 96 | To be established had List | 21 | 10% | 20% | 20% | Report to be submitted to Council |
| Databases: Waiting List | R 0.00 | quarterly compilation of the Data base is done : 100% | all | 25% | 25% | 25% | Report to be submitted to Council |
| Databases: Informal Resident | n/a | Updation information on informal resident in need of provision for housing: 100% | all | 25% | 25% | Ongoing | Done |
| Disposal of staff houses | n/a | Transfer of all staff houses finalised: 100% | cbd | 25% | 25% | 25% | Report to be submitted to Council |
| CONSTRUCTION OF AFFORDABLE HOUSING PROJECTS | | | | | | | |
| Service Delivery : INFRASTRUCTURE DEVELOPMENT | | | | | | | |

Management response: Human Settlement

The draft performance report submitted to the AG did not have the KPA and KPI as outlined in the SDBIP and Individual Performance Plans, however, the column on project description mentioned above, were placed on the columns set for KPI's in the Annual Performance Report. The final, correct and acceptable performance template as outlined above will be tabled to council for adoption in terms of the MFMA section 126 and MSA section 46, the Public, Department of COGTA and the AG will reflect as outlined above in the Final Draft of the Annual report. Lastly, the construction of the above housing projects is the core function of the Provincial Department of Human Settlements the role of the Municipality is minimal to an implementing agent.

SERVICE DELIVERY INSTITUTIONS

| Project ID | Project Name | Programme | Category | Type | Target Number | Initial Performance Measurement | Final Performance Measurement | Quarterly Target | | | Progress Against Targets | |
|--|--|---|---|---|---|---------------------------------|-------------------------------|------------------|-----------|---|---|--|
| | | | | | | | | Budget | Actual | Completion | Rate | Comments |
| Infra-structure Development | To undertake the planning studies to regenerate Ezakheni (commercial node) | Neighbourhood Grant | No major commercial centers at Ezakheni | R 700 000.00 | Drafting and approval of a business plan by council | Ezakheni | Business plan approved by NT | 30-Jun-09 | 31-Dec-09 | 31-May-10 | 95% in 10 days | More studies will be undertaken |
| Infra-structure Development | To construct a weighbridge to generate income and comply with legislation | Weightbridge | No income was generated from public disposing waste at the landfill site. | R 573 990.00 | To construct a Weightbridge: 100% | Acapulac Landfill Site | Terms of Reference | 30-Jun-09 | 31-Dec-09 | 31-May-10 | 92% weightbridge is Complete | To be connected to the SANMAS systems |
| Clearing of excesses in the drains causing flooding of houses and roads and comply with DAWF | To identify river restriction and soil deposition in the River | Sand Mining | None | Remove 6000 cubic meters of sand/pa | 2000 cubic meters of sand | 2% | 10% | 100% | 100% | 7000 cubic meters of sand have been removed | Meetings are held on regular basis to ensure the performance of contractors | |
| Promotion of sports in our Municipality through Infra-structure development | To rehabilitate and maintain Municipal Sports facilities | Umrini Sports Field | Depalidated Infrastructural buildings | None | Construction 100% | Limpopo Hill | 10% | 20% | 40% | 100% | The project is 90% Complete | Project schedule: 1st of the year |
| Infra-structure Development | To construct drainage to prevent flooding | Storm water drainage Steadville | Current drains earthened ineffective | None | 100% project complete | Steadville | 10% | 50% | 100% | 100% | 70% project complete | To complete the project by 30th December 2010 |
| Promotion of sports in our Municipality through Infra-structure development | To provide technical expertise in the construction and project management | Department of Sports and Recreation: Combis, courts, cricket and soccer fields financing | Not quantified | Provide 100% support to ensure the completion of the projects | Ezakheni | 2% | 5% | 10% | 40% | 30% | 40% | Preliminary investigations. Work in progress |
| Improving infrastructure and the beautification of the CBD | To provide technical expertise in the construction and project management of small town regeneration | STABIL TOWN REGENERATION STUDY: Surveillance Cameras; Mid Block parking; Rehabilitation of Shireways, Beautification of three | None | Provide 100% support to the client department | CBD | 100% budget expenditure | 95% | | | | | The construction of the paving trials is to be completed by 31 December 2010 |

Management Response : Engineering Department

The report submitted above is provided to provide palpable information on the KPI queried by the AG. However, the KPA, KPI and Project has been placed in the correct column whilst the Report audited by the AG had the Projects placed under KPI columns. The final correct and acceptable performance template as outlined above which will be submitted to council for adoption, the Public, Department of COGTA and the AG will reflect as outlined above in the Final Draft of the Annual report. Lastly, the construction of the above housing projects is the core function of the Provincial Department of Human Settlements.

The report to be submitted in terms of section 49.1 (c) of the Systems Act, as amended. The issues raised by the AG have identified an omissions which has been rectified prior to tabling of the report to council, the public, Department of COGTA, National Treasury for comments.

2. Measurability of targets (EX.12)

Audit Finding

Regulation 12(2) of the Municipal Planning and Performance Management Regulations requires that performance targets must:

- a) be practical and realistic;
- b) measure the efficiency, effectiveness, quality and impact of the performance of the municipality, administrative component, structure, body or person for whom a target has been set;
- c) be commensurate with available resources;
- d) be commensurate with the municipality's capacity; and
- e) be consistent with the development priorities and objectives set out in its IDP.

The following targets as reported in the Annual Performance Report submitted for audit are not specific:

| Performance indicator | Target |
|---|---|
| Engineering | |
| To construct a Vehicular bridge linking Baldaskraal and Lucitania | 70% |
| To construct a Vehicular/Pedestrian Bridge across Mbabantu River | 100% |
| To construct a Pedestrian Bridge linking Ezakheni and Esidakeni | 70% |
| Dept of Sport & Recreation | Assisting Client Departments in implementing projects |
| SMALL TOWN REGENERATION STUDY: Surveillance | Assisting client departments in |

DEPARTMENT: ENGINEERING

Cameras, Mid Block parking, Rehabilitation of Sidewalks, Beautification of three town entrances and Wimpy, Sondeia Parks implementing projects

Management Response:

The above template has provided a palpable clarity on the formulation of the municipal targets which are specific, measurable and time bound, the issues raised by the AG has been considered and the template has been rectified in terms of the original plan as captured in the SDBIP and Manager's Performance Plans by providing additional information to for ease of reference, the annual report will reflect on the additional information as captured above.

1. Specific : targets are focusing on a particular specific KPI are reviewed annually
2. Measureable: The targets can be measured using a rating scale, using paragraph 27 of the 2006 regulation.
3. Time bound: The targets are based on an annual target which are spread on quarterly basis, the above regulation provides for the setting of annual report and reviewed on a quarterly bases, as such every target set by the Municipality cannot be perpetual. The above report provides the Quarterly targets that are approved by council

The following targets as reported in the Annual Performance Report submitted for audit are not measurable:

| Performance indicator | Target |
|----------------------------|---|
| Engineering | Assisting Client Departments in implementing projects |
| Dept of Sport & Recreation | Assisting Client Departments in implementing projects |

SMALL TOWN REGENERATION STUDY: Surveillance Cameras, Mid Block parking, Rehabilitation of Sidewalks, Beautification of three town entrances and Wimpy, Sondela Parks

Management Response

DEPARTMENT: ENGINEERING

| Performance Indicator | Target | Budget | Initial Performance | Target (KPI and measurement) | Quarterly Targets | Progress Against Target | Rate | Comments |
|---|---|--|---------------------|---|-------------------|-------------------------|-----------|-----------|
| | | | | | 30-Sep-09 | 31-Dec-09 | 31-Mar-10 | 30-Jun-10 |
| Brought up to date our Key Performance Indicators | To bring up to date our KPI's | R100k | On Track | Annual Performance Report | 64% | 64% | 64% | 64% |
| Promotion of sports in our Municipalities; the construction and project management through Infrastructure | To provide technical expertise in the construction and project management | Department of Sports and Recreation: Combining courts, cricket and extending soccer field fencing | Not quantified | Provide 100% support to ensure the completion of the projects | Exceeded | 5% | 10% | 10% |
| Improve infrastructure rehabilitation grant and implementation departmental projects | To provide technical expertise in the construction and project management of the small town rehabilitation grant and implementation departmental projects | SMALL TOWN REGENERATION STUDY: Surveillance Cameras, Mid Block parking, Rehabilitation of Sidewalks, Streets, Parks, Beautification of three town entrances and Wimpy, Sondela | None | Provide 100% support to the client department. | CBD | 100% budget expenditure | 95% | 95% |

The measurable : The above provides a palpable additional wording in the formulation of targets. The targets are measured using a rating scale and evidence to support achievement can be made available by client departments and audited by the AG's office. The use of rating scale is allowed in terms of the Local Government : Municipal Performance Regulations for Municipal Managers and Managers directly accountable to Municipal Managers, 2006, paragraph 27.

The following targets as reported in the Annual Performance Report submitted for audit are not time-bound:

| Performance Indicator | Target |
|---|---|
| Engineering | Planning of project |
| To construct a Vehicular bridge linking Hobsonland and Peace town | Assisting Client Departments in implementing projects |
| Dept of Sport & Recreation | Assisting Client Departments in implementing projects |
| SMALL TOWN REGENERATION STUDY: Surveillance Cameras, Mid Block parking, Rehabilitation of Sidewalks, Streets, Parks | Assisting Client Departments in implementing projects |

Management Response

DEPARTMENT: ENGINEERING

| Performance Indicator | Target | Actual Performance | Budget | Final Performance Target (KPI and Measurement) | QUARTERLY TARGETS | | Comments |
|---|---|--|----------------|---|-------------------|-----------|-------------------------|
| | | | | | 30-Sep-09 | 31-Dec-09 | |
| Budget KPI | R1 000 000 | R1 000 000 | R1 000 000 | R1 000 000 | | | on 30/06/10 |
| Promotion of sports in our Municipality through infrastructure development. | To provide technical expertise in the construction and project management | Department of Sports and Recreation: Combos, courts, clinics and soccer field fencing | Not quantified | Provide 100% support to ensure the completion of the projects | Ezakheni | 2% | 10% |
| Improve infrastructure and management of the small town of the CBD | To provide technical expertise in the construction and project rehabilitation grant and Implement departmental projects | SMALL TOWN REGENERATION STUDY: Surveillance Cameras, Mid Block parking, Rehabilitation of Sidewalks, Brailification of offices | R14.1 million | Provide 100% support to the client department | CBD | | 100% budget expenditure |
| Infrastructure Development (Planning) | To construct Vehicular Bridge (Planning) | Construction of a Vehicular Bridge Hobsonland to Peace Town | R 250 000.00 | Planning Process complete; EIA, Geotech Hobsonland / Peace Town | | 5% | 5% 15% |

The above targets are set against quarterly targets as outlined against the project monthly reports and quarterly reports to Management and Eco . The achievement of the targets are based on the annual targets set in the SDBIP and Performance Plans of the Head of Department. The target are annual targets as per legislation and reviewed on quarterly bases. The issues raised by the AG has been considered and the Annual Report will reflect the additional information prior to submission to council, the public, department of COGTA and National Treasury for comments. The measurement of the set target as outlined above are measured using the rating scale as per paragraph 27 of the 2006 regulation.

The following targets as reported in the Annual Performance Report submitted for audit are not specific, measurable or time-bound:

| Performance indicator | Target |
|---------------------------|---------------------------|
| Human settlement | |
| Limit Hill Housing scheme | Processing of transfers |
| Steadville Area J | Awaiting close-out report |

| | |
|------------------------------------|---------------------------------|
| Steadville Area E | Awaiting approval of escalation |
| Steadville Area H | Matter under discussion |
| Umbulwane Phase 1&2 housing scheme | Awaiting response |
| Ezakheni DD section housing scheme | None |
| Hobsland housing scheme | None |

Management Response:

Construction of housing is the core function of the Provincial Department of Human Settlement, hence the Municipality's role is limited to that of an implementing agent. The set targets as provided above are commensurate and specific, measurable and time bound according to the powers and roles of the Municipality in the provision of housing. The developers and in consultation with the Provincial Department of Human Settlement is expected to provide a close out report, and that is a set target to be achieved where a project was done and no close-out was ever compiled. The delay in the close-out report causes further delay in the handing over of the projects to relevant stakeholders such as the function of water and sewer in those projects. The set target can be measured and reviewed on quarterly bases through the core function remains with the Provincial Department of Human Settlement. The issues raised by the AG has been considered, hence the above template provides additional information to provide the Municipal capacity to measure the targets, and the set quarterly targets and reports can be reviewed as per the PMS Framework Policy.

Name: Siza Sibande
Position: Manager : PMS
Date: 16 November 2010

PERFORMANCE AUDIT COMMITTEE REPORT 2009/2010

REPORT TO THE EMNAMBITHI-LADYSMITH MUNICIPALITY

1. LEGAL MANDATE

In terms of Local Government: Municipal Planning and Performance Regulation, 2001 paragraph 14 (4) (a) (iii), the Performance Audit Committee must at least twice during the year submit an audit report to the municipal council concerned.

2. COMPOSITION OF THE COMMITTEE

The following Audit Committee members were appointed to serve in the Emnambithi-Ladysmith Municipality as per the Local Government Municipal Planning and Performance Regulation.

Mr. TP Kunene (Chairperson)
Mr. CJ Rautenbach
Mr. HPH Kubheka

3. ALIGNMENT

The Emnambithi-Ladysmith Municipal Performance Management System specify objectives and targets defined and agreed upon aligned with the integrated Development Plan, Service Delivery and Budget Implementation Plan (SDBIP) and the budget of the municipality.

4. FUNCTIONS OF THE COMMITTEE

The Government: Municipal Planning and Performance Regulation, 2001 section 14(4)

A Performance Audit Committee must:-

Review the quarterly reports submitted to it in terms of sub-regulation (1) (c) (ii);

Review the municipality's performance management system and make recommendation in this regard to the council of that municipality; and
At least twice during a financial year submit an audit report to the municipal council concerned.

5. ACTIVITIES OF THE COMMITTEE

5.1 MEETINGS

The legislation required that the Committee meet four times a year. The Committee has integrated its activities with the Audit Charter of the Municipality and meetings were held on the under-mentioned dates:

01 July 2009
29 October 2009
03 November 2009
09 November 2009
18 January 2010
23 April 2010
09 July 2010

5.2 OBSERVATIONS

The PMS was successfully implemented in the year under review.

The Performance Management Framework Policy was officially reviewed and adopted by Council.

All heads of Departments had signed and concluded their Performance Agreements and Plans

Performance review did involve the participation of ward committees during the annual/mid-year report and the approval of the Performance Policy Framework and Organizational Scorecard.

The Performance Evaluation Committees were approved by Council.

5.3 EVALUATION OF PERFORMANCE

The evaluation of performances highlighted in a number of instances, that the non-achievement of annual targets were caused mainly as a result of the lack of skilled/semi skilled staff.

Provision has been made on the staff structure for additional positions to rectify the situation but it would appear that the Municipality is unable to attract skilled/semi skilled people because of the salaries offered.

6. RECOMMENDATIONS

In order to rectify the situation it is suggested that the salary structure be revised where and if possible, failing which the annual targets be reconsidered in those cases and be re-aligned with the available resources.

CONCLUSION

In conclusion, the activities undertaken to date were in line with the legislative imperatives imposed on the PAC. Reviews of reports as well as the Municipality's performance were assessed in the most objective way. The PAC thanks the Municipal Manager, Internal Audit and the Heads of Departments for their co-operation.


.....
Mr. TP Kunene
Chairperson
Performance Audit Committee

30/08/2010
.....
Date

**EMNAMBITHI/LADYSMITH MUNICIPALITY
AUDIT COMMITTEE REPORT 2009/10**

Report of the Audit committee

We are pleased to present our report for the financial year ended 30 June 2010

Audit committee members and attendance

During the year under review, Mr Jordan resigned on 24 August 2009. Mr Kean was appointed to fill the vacancy on 11th February 2010. Mr Gard was appointed Chairman on the same date. Mrs de Franca Smith and Mr Gard served throughout the year.

| <i>Committee member</i> | <i>Meetings Potential</i> | <i>Meetings Attended</i> |
|--------------------------------|----------------------------------|---------------------------------|
| Mrs E de Franca Smith | 7 | 7 |
| Mr G. C. H. Gard | 7 | 7 |
| Mr P. Kean | 2 | 2 |

The Committee are pleased to report that the Municipal Manager and Council sanctioned monthly committee meetings for 2010 in lieu of quarterly meetings in earlier years. This improved considerably both scope and impact the Audit Committee has brought to bear on financial and allied Council matters. A most welcome improvement as 4 meetings annually cannot deal adequately with the full range of Council financial matters.

Report of the Auditor General

A much improved report for 2009/10 free of qualifications, compared with 3 qualifications for the previous year 2008/09.

The Management report listed '16 Important matters or matters affecting the Auditor's report'. Much hard work will be required by senior Municipal staff involved in financial control, performance, information systems and governance before the ideal sought by Council of 'A clean audit report' can be earned. Not only must each matter be rectified but the principles giving rise to each error must be corrected throughout.

Each year the Auditor General increases the scope of his audit and the strictness of his scrutiny. Financial and Performance senior staff will need to keep many steps ahead to earn this 'clean audit report'.

The Council authorised the use of external consultants 'Deloitte & Touche' during 2009/10 to assist financial staff to implement GRAP standards for the control of municipal assets.

Effectiveness of internal control

The Audit Committee welcomed the appointment of Mrs S Mahraj as Chief Internal Auditor on 1st September 2010. A key requirement of the Audit Committee is a strong internal audit section.

Eight of the audit report 'Matters of emphasis' raised by Auditor General were classed as 'Internal Control weaknesses'. Relevant internal controls need to be strengthened then audited by our internal audit staff.

Audit Committee responsibility

The Audit Committee reports that it has complied with its responsibilities as far as practically possible, arising from Section 166 (2) of MFMA No 56 of 2003. Performance oversight is excluded as there is an independent Performance Audit Committee. The Audit committee charter is being amended accordingly. The Audit Committee reports that it has adopted formal terms of reference as its charter, regulates its affairs in compliance with the charter and has discharged as practically as possible, all its responsibilities as contained therein.

Risk Assessment/Management and Fraud Prevention Strategy

'Risk' is a primary concern of the Audit Committee. The appointment by Council during the year of a full time Risk Officer Mr N. Zuma, will make a significant improvement to this function. A clear plan has been adopted and progressive implementation is expected in future months.

Quality of management and monthly/quarterly reports

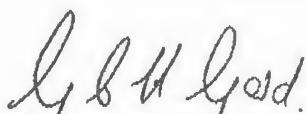
Senior Financial management has been strengthened by the recent key appointment of an Executive Manager - Finance (CFO) M/s Ngwenya. This welcome appointment is expected to further improve financial control of the Municipality.

Monthly financial reports are currently presented to the Public Accounts Committee and supplied to the Audit Committee. We look forward to production of full half yearly then quarterly financial accounts.

Evaluation of Financial Statements

A pleasing earlier than usual completion of 2009/10 annual financial accounts enabled the Audit Committee to make a detailed evaluation and add comments prior to their issue to the Auditor General.

The Audit Committee has reviewed the Auditor General's management letter and concurs with the conclusions. The Committee is of the opinion that 2009/10 annual financial statements should be accepted together with the report of the Auditor General.


G. C. H. Gard
Chairman
Audit Committee

13th December 2010